Committee on Integrated Energy Policy

1434. SHRI AMAR SINGH:
SHRI ABU ASIM AZMI:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that Expert Committee appointed by the Planning Commission to fomulate an Integrated Energy Policy has submitted any report in August, 2006.

(b) if so, the salient features of the report particularly on the pricing of gas for power sector;

(c) what is Government's reaction in regard thereto; and

(d) whether Secretary, Ministry of Petroleum and Natural Gas is one of the signatory of the report?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURALI DEORA): (a) Yes, Sir.

(b) The pricing of natural gas is covered in Chapter XII of the report at para 15. It states as follows:- "Natural gas price can be determined through competition among different producers where multiple sources and a competitive supply-demand balance exist. As long as there is a shortage of natural gas in the country and the two major users of gas, namely, fertilizer and power, work in a regulated cost plus environment' a competitive market determined price would be highly distorted. Such distortions would get further amplified by the prevailing regime of fertilizer subsidies and power sector subsidies and cross subsidies. In such a situation, price of domestic natural gas and its allocation should be independently regulated on a 'cost plus basis' including reasonable returns.

Another option could be to price gas on a net-back basis. Should a scenario wherein gas becomes 10-12% of India's energy mix materialise by 2031-32, some 60% of the gas supply will be used for power generation. This would man that beyond the level of gas consumption in the fertilizer, petrochemical, automotive and domestic sectors, gas must compete with coal as the key alternative for power generation. This implies that the cost of generating peak or base electricity using gas cannot exceed the cost of

peak or base electricity from coal, the cheapest alternative. A competitive coal market is thus important for setting a proper price of natural gas on a net-back basis. An alternative for a gas producer is to export gas, in which case the domestic gas price could be the net realization of the domestic natural gas producer after investing and getting a return on the investment needed to make the natural gas tradable across borders through either a trans-border pipeline or through liquefaction and shipping facilities. This suggests that in the short-term, natural gas prices should be determined on a cost plus basis by an independent regulator."

(c) The Committee has made several recommendations which will have to be considered by various Ministries.

(d) Yes, Sir.

ONGC's refinery project in Andhra Pradesh

1435. SHRI SITARAM YECHURY:
SHRI PENUMALLI MADHU:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the ONGC has signed an MoU with the State Government of Andhra Pradesh to set up a Coastal refinery in Kakinada SEZ;

(b) whether the ONGC management has recently expressed unwillingness to go ahead with the project;

(c) if so, the reasons therefore; and

(d) whether any amount has been spent by the ONGC to conduct feasibility study for the project?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA J. PATEL): (a) Mangalore Refinery Petrochemical Limited (MRPL), a subsidiary company of Oil and Natural Gas Corporation Limited (ONGC) has entered into a Memorandum of Understanding (MoU) with Government of Andhra Pradesh, Infrastructure Leasing & Financial Services Limited (IL&FS) and Kakinada Sea Ports Limited (KSPL) on 3.9.2005 to expolore the feasibility of setting up an export oriented refinery at Kakinada, subject to the same being techno-commercially viable.